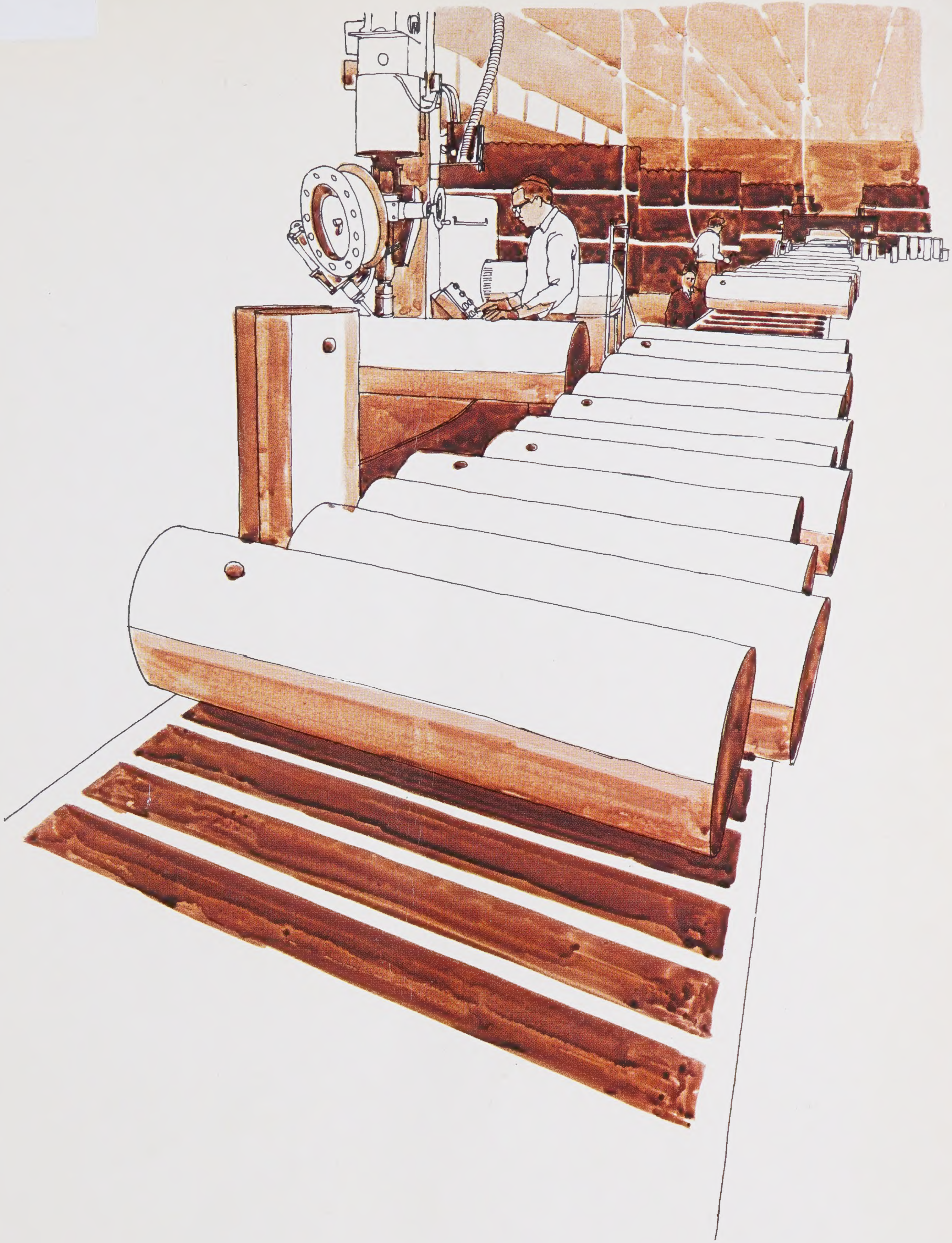


MOLSON INDUSTRIES LIMITED Annual Report 1971

MOLSON INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

Incorporated under the laws of Canada

Head Office
1555 Notre Dame Street East,
Montreal, Quebec

Executive Office
2 International Boulevard,
Toronto, Ontario

Registrar
National Trust Company Limited
Halifax, Montreal, Toronto, Regina, Calgary and Vancouver

Transfer Agent
The Royal Trust Company
Halifax, Montreal, Toronto, Regina, Calgary and Vancouver

Auditors
McDonald, Currie & Co.

Cover: Anthes Eastern Limited is Canada's largest manufacturer of electric and gas residential water heaters. The cover shows water heater tanks rolling off the Corando Mill in the Anthes Toronto plant.

Following the formal meeting, shareholders will be invited to meet the officers and directors of the company in the Reception Room (right) of the Montreal brewery. This stately hall, with its Gothic arches, is frequently used as a meeting place by Montreal professional and community organizations.

Pour obtenir la version française de ce rapport annuel il suffit d'écrire aux Industries Molson Limitée, Case Postale 1600, Place d'Armes, Montréal, Québec.

Financial highlights

Operations (millions of dollars)	**1971 $**	1970 $
Sales	**314.7**	312.8
Earnings before extraordinary items	**13.7**	13.3
Earnings after extraordinary items	**12.6**	12.2
Financial position (millions of dollars)		
Working capital	**39.0**	32.4
Long-term debt	**17.8**	10.7
Shareholders' equity	**98.6**	95.5
Per common share		
Earnings before extraordinary items	**1.20**	1.17
Earnings after extraordinary items	**1.11**	1.07
Dividends paid	**.72**	.72
Shareholders' equity	**8.67**	8.41

Contents

The annual meeting of the shareholders will be held at the head office of the company, 1555 Notre Dame St. East, Montreal, Quebec, on June 23, 1971 at 11.30 a.m. EDT.

Directors

***T. H. P. Molson,** Montreal
Honorary Chairman of the Board
Director, The Royal Trust Company
President, Alexandra Hospital, Montreal

***Hon. H. deM. Molson,** Montreal
Chairman of the Board
Vice President and Director, Bank of Montreal
Director, Canadian Industries Limited, Canadian Corporate Management Company, Sun Life Assurance Co. of Canada
Member, The Senate of Canada

***H. N. Bawden,** Toronto
Director, Dominion Securities Corporation Limited, Dominion Foundries & Steel Co. Ltd.

***J. T. Black,** Toronto
Executive Vice President, Operations
Governor, Brewers' Association of Canada

***Peter D. Curry,** Winnipeg
Chairman and Director, The Investors Group
Director, Ford Motor Company of Canada, Limited, The Great West Life Assurance Company, International Nickel Company of Canada Limited, Northern and Central Gas Corporation, Limited, Power Corporation of Canada, Limited
Chancellor, University of Manitoba

W. P. Frankenhoff, New York
Executive Vice President, William E. Hill & Co., Inc.
Director, The Dexter Corporation, Roanwell Corporation, Weil-McLain Co., Inc.

Donald Harvie, Calgary
President, Canadian Fina Oil Limited
Director, Petrofina Canada Limited, Bank of Montreal, Glenbow-Alberta Institute
Member of Senate, University of Calgary

David Lakie, Toronto
Senior Vice President, Canadian Industrial Group

Roger Létourneau, Q.C., Quebec
Senior partner, Létourneau, Stein, Marseille, Delisle and La Rue, Barristers and Solicitors
Vice President and Director, Bank of Montreal
Director, Domtar Limited, The Price Co. Ltd., Petrofina Canada Ltd.

***Morgan McCammon, Q.C.,** Toronto
Senior Vice President, Corporate Services

***A. G. McCaughey,** Toronto
Senior Vice President, Finance

H. C. F. Mockridge, Q.C., Toronto
Senior partner, Osler, Hoskin and Harcourt, Barristers and Solicitors
Director, International Nickel Company of Canada Limited, Bank of Montreal, Confederation Life Insurance Company
Trustee, The Hospital for Sick Children, Toronto

J. David Molson, Montreal
Chairman of the Board, President and Director, Canadian Arena Company and Club de Hockey Canadien Inc.
Director, Montreal Trust Company, Hockey Canada
Governor, National Hockey League, Montreal Children's Hospital, Montreal General Hospital, Queen Elizabeth Hospital

Gérard Plourde, Montreal
Chairman of the Board, UAP Inc.
Vice President and Director, Alliance Compagnie Mutuelle d'Assurance-Vie
Director, Gulf Oil Canada Limited, Northern Electric Company Limited, Rolland Paper Company Limited, Sidbec Inc., Steinberg's Limited, The Toronto-Dominion Bank, University of Montreal, Hôpital Notre-Dame

F. H. Sobey, Stellarton
Chairman of the Board, Sobeys Stores Limited and Sydney Steel Corporation
Director, Dominion Textile Limited, The Toronto-Dominion Bank, Fraser Companies Limited, Halifax Developments Limited

G. B. Waterman, Toronto
Senior Vice President, U.S. and International Industrial Group
Member, Senate of University of Toronto

N. E. Whitmore, Regina
President, Wascana Investments Ltd., Regina Land Development Limited
Director, Canadian Pacific Railway Co., Canada Permanent Mortgage Corporation

***D. G. Willmot,** Toronto
President and Chief Executive Officer
Director, The Bank of Nova Scotia, Crown Life Insurance Co., Hayes-Dana Limited, Texaco Canada Ltd., Foster Wheeler Ltd. (Canada)
Member, Board of Governors, Ridley College

**Member of the Executive Committee*

Officers

T. H. P. Molson, Honorary Chairman of the Board

Hon. H. deM. Molson, Chairman of the Board

D. G. Willmot, President and Chief Executive Officer

J. T. Black, Executive Vice President, Operations

David Lakie, Senior Vice President, Canadian Industrial Group

Morgan McCammon, Q.C., Senior Vice President, Corporate Services

A. G. McCaughey, Senior Vice President, Finance

P. B. Stewart, Senior Vice President, Brewing Group

G. B. Waterman, Senior Vice President, U.S. and International Industrial Group

W. A. Critchley, Vice President and Controller

K. A. F. Gates, Vice President, Law

J. B. Jolley, Vice President and Secretary

R. J. Stuart, Vice President, Personnel and Industrial Relations

P. M. Turner, Vice President, Corporate Development

M. C. Payne, Treasurer

W. W. Carrick, Controller, Canadian Industrial Group

C. R. Cook, Controller, Brewing Group

K. R. Craig, Controller, U.S. and International Industrial Group

G. Marin, Assistant Secretary

Directors' report to the shareholders

During the year ended March 31, 1971 there was a reduction in economic growth in Canada accompanied by continued inflationary cost increases and historically high money costs.

We are pleased to report that in spite of the general slowdown in business activity, both sales and earnings of your company were higher than those of the previous fiscal year.

Financial Results
Consolidated sales for the year ended March 31, 1971, totalled $314,691,924, compared with $312,750,043 for the previous fiscal year.

Net earnings before extraordinary items increased to $13,662,395, or $1.20 per share, from $13,316,233 or $1.17 per share, reported in the previous year.

The exchange difference resulting from the freeing of the Canadian dollar on May 31, 1970 accounts for an extraordinary loss of $1,035,279 or 9 cents per share in this fiscal year. Last year extraordinary losses of $1,143,686 or 10 cents per share were incurred from the disposal of certain businesses.

After extraordinary items net earnings amounted to $12,627,116 or $1.11 per share this year, compared with $12,172,547 or $1.07 per share last year, an improvement of $454,569 or 4 cents per share.

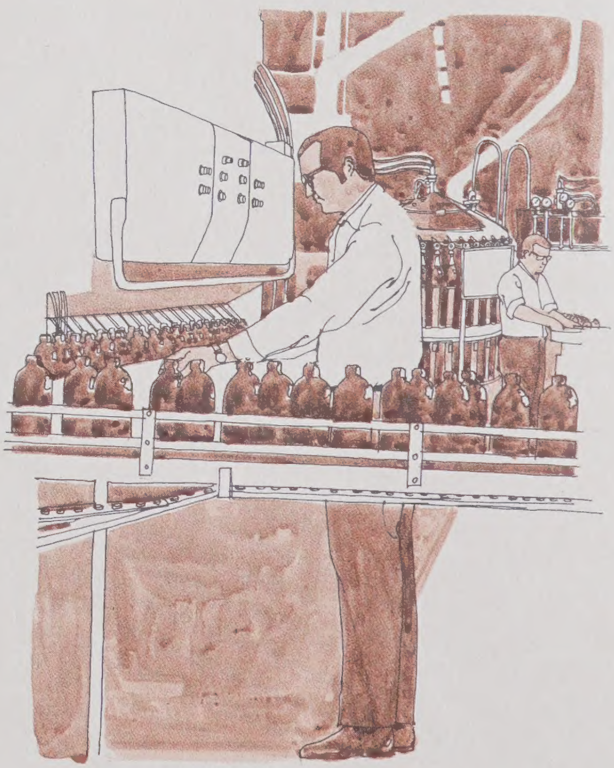
Dividends declared during the year totalled $8,182,994 or 72 cents per share, unchanged from the rate of the previous year.

Working capital at March 31, 1971 amounted to $38,983,921, which is $6,630,848 higher than last year, reflecting an increase in term indebtedness.

Operations
Sales of beer and ale by your company in the 1971 fiscal year exceeded 4,000,000 barrels or 100,000,000 gallons for the first time. Revenues from brewing operations amounted to $201,298,000 and accounted for 64% of consolidated sales.

While revenues were nearly 5% ahead of last year, profit contribution rose by less than half that amount, reflecting the impact of higher costs of labour and materials at all plants and the absence of price increases for these products during the fiscal year anywhere in Canada. Your company has recently introduced new brands in two provinces which is typical of the increased competitive marketing activity throughout the industry.

Sales of all construction products and services



This Spring, the Toronto brewery which is completing a major expansion program, began operation of one of the fastest bottling lines in North America. It has a filling speed of 1,400 bottles per minute.

were lower than last year totalling $38,688,000 and the proportion of consolidated sales of this product group dropped to 12% from 14% a year ago. Profit contribution fell significantly due to increased costs and lower selling prices. A favourable performance in this product group, however, was achieved through the sale and rental of tubular steel scaffolding, shoring and related construction equipment to contractors by the Anthes Equipment division. These showed a satisfactory increase reflecting improved market share.

Revenues from the furniture and supplies group, comprising office furniture, business forms, household furniture and school furniture and supplies, were $30,810,000 or 10% of consolidated sales, about the same level as last year. While earnings improved modestly, growth of this sector has been held back by conditions of oversupply in the office furniture field and lower consumer spending on durable goods, including household furniture.

The demand for petroleum marketing products, principally gasoline pumps, was unusually high as a result of the decision of certain of the oil companies to market low lead and no lead gasoline in North America. Sales of these products reached a record level of $26,068,000 or 8% of total company sales, compared with 7% last year, and profits increased significantly.

Sales of industrial products and services contributed only 6% of total sales at $17,828,000, down from 7% last year, reflecting the disposal of three operating divisions during this fiscal year and one last year within this group. Revenues from the Seaway Storage division's physical distribution services to industry and government were at about the same level as last year's despite less favourable market conditions. During the last quarter of the fiscal year, sales and earnings were augmented by the acquisition of Midwest Storage & Distributing Company Ltd. of Winnipeg.

Capital Expenditures

Net expenditures on new plant and equipment this fiscal year amounted to $10,542,691, close to the average level of capital asset additions during the past several years.

Of the total, $8,770,000 was spent in brewing operations. Principal items were the commencement of construction of a packaging centre and warehouse at the Vancouver brewery, installation of an additional high speed bottling line and completion of a new storage building at the Toronto brewery, and a substantial addition at the Montreal brewery to provide enlarged and improved shipping and truck storage capacity. While brewing operations are not a major cause of either air or water pollution, environmental control has been a continuing concern of your company and important capital expenditures have been made in this connection in each of the past several years including the year under review.

In other operations, the expansion of the Office Specialty plant at Holland Landing, Ontario, was completed. This located all metal product fabrication in one plant resulting in improved productivity. Another major project was the installation of semi-automatic machinery and equipment designed to increase the custom casting capacity of the Winnipeg foundry of the Anthes Western division.

Corporate Developments

In accordance with your company's policy of continually appraising its various opera-

tions relative to its long-term objectives and opportunities, your directors concluded that the future prospects of four manufacturing units did not justify continued investment in them. Accordingly, the National Oxygen division (industrial gases) at Oakville, Ontario, the Industrial Products division (industrial tanks and pressure vessels) at Conshohocken, Pennsylvania, and the Superior division (commercial products) at St. Paul, Minnesota were sold during the year. In addition, arrangements have been made for the sale of the Anthes Eastern division foundry at St. Catharines, Ontario. The annual sales of these four operations amounted to less than 4% of the company's sales and their combined profit contribution was minimal.

Proceeds from the disposal of these units resulted in a small net gain which has been included in the accounts as an extraordinary item. More importantly, however, these consolidating steps have strengthened the operating and financial base of your company.

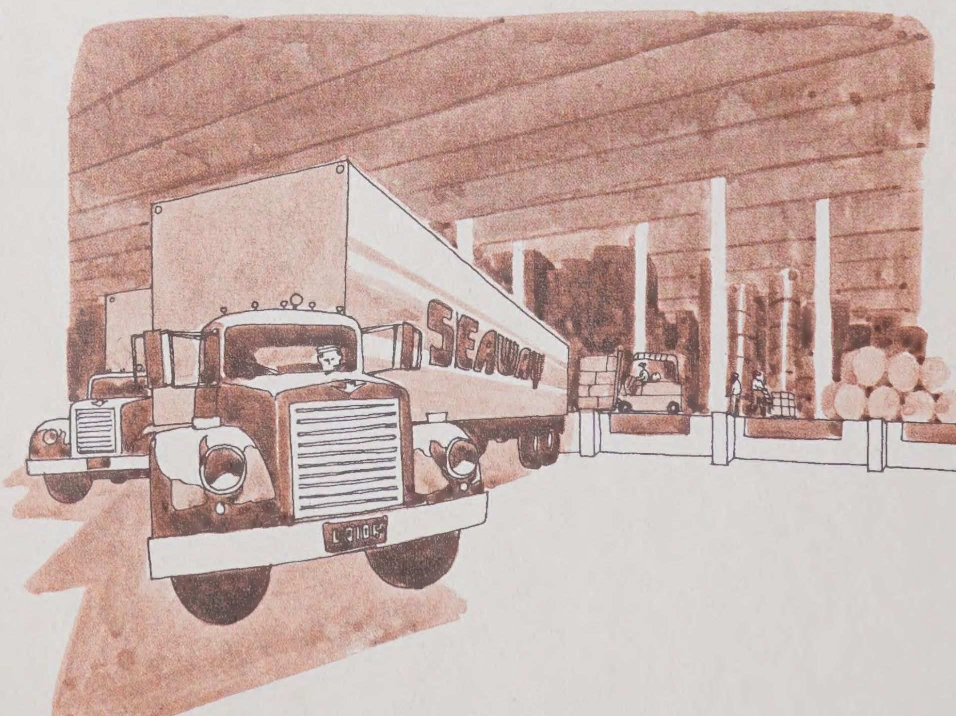
All of the outstanding capital stock of Midwest Storage & Distributing Company Ltd. of Winnipeg, Manitoba was purchased for cash effective January 1, 1971. Founded in 1932, this newest subsidiary operates eleven storage and distribution facilities in Vancouver, Calgary, Winnipeg, Toronto and Moncton. In addition to general warehousing it offers a specialized service for major manufacturers in the storage and distribution of pharmaceuticals. This business complements the warehousing and distribution activities of the company's Seaway Storage division and together they form the largest organization of its kind in Canada.

While particular emphasis has been placed upon internal rationalization during the past two years, opportunities for participation in other successful businesses which meet our requirements for the longer term both in Canada and abroad continue to be investigated.

Industrial Relations

Your company has collective bargaining agreements affecting approximately 4,500 employees at 31 different locations in Canada and the United States. Five of these agreements were successfully negotiated during the fiscal year. At the principal plant of the Anthes Eastern division in Toronto, a sixth agreement was reached after a nine-week strike early in the year. Industry negotiations with members of the brewery workers

The ever increasing need of large corporations to conserve capital has created a widening interest in the use of warehousing and distribution services as provided by the Seaway Storage division of Montreal and the newest Molson subsidiary, Midwest Storage of Winnipeg.



union in Ontario led to the signing of a three-year collective agreement following the year end.

Turnover among regular employees is low and, in general, sound relations exist between management and the bargaining units. It is a matter of continuing concern, however, that productivity improvements resulting in large measure from major capital expenditures are being more than offset by the increases in salaries and wages paid to employees.

Directors and Officers

In May, 1970, A. G. McCaughey, Senior Vice President, Finance, was elected a Director and Member of the Executive Committee.

During the year, W. A. Critchley was appointed Vice President and Controller; P. M. Turner, previously responsible for planning within the Brewing Group, assumed the position of Vice President, Corporate Development; and K. R. Craig became Controller, U.S. & International Industrial Group.

Outlook

We would like to point to reassuring signs of economic recovery and be able to predict vigorous growth in the year ahead. It is doubtful, however, that our economy will return to the healthy conditions of the sixties in so short a time.

Inflation continues with us despite the strong measures applied by Government. Unemployment has risen to a distressing and unhealthy level across our land. At the same time labour and material costs rise in the face of plentiful supply. Full recovery will undoubtedly take several years.

However, we do see a gradual improvement in economic activity in the months ahead and look for moderate growth in sales and earnings of your company.

On behalf of the Board:

H. deM. Molson
Chairman of the Board

D. G. Willmot
President and Chief Executive Officer
May 20, 1971

Review of operations

A new brewhouse and packaging centre at the Vancouver brewery has made this plant one of the most advanced in the Canadian brewing industry. The intricate control panel in the new brewhouse which directs the flow of the brewing process through the plant is framed in vari-colored glass mosaic tile. It can be viewed from Burrard Street.

BREWING OPERATIONS

Sales by the brewing industry in Canada in the year ended March 31, 1971, increased 6%, an excellent rate of growth when viewed against the general economic slowdown. Industry volume of 13.8 million barrels reflected increases in all provinces.

It is an unhappy fact that increases in the selling prices of our products historically have fallen far short of the rate of increase in the costs of wages and salaries, raw materials and services of all kinds. While we will benefit from the recent price adjustments in Ontario, the problem of steadily rising costs relative to static selling prices continues in most other markets.

Combined sales of the nine Molson breweries passed the one hundred million gallon mark (4 million barrels) for the first time in our 185 year history. The company realized volume gains in all marketing regions except Saskatchewan where we enjoy a very high market share. Market share improvements were achieved in both Ontario and Manitoba. Molson national brands, Export Ale and Canadian Lager beer, continue to enjoy wide consumer acceptance. In addition, two of the company's regional brands, Golden Ale in Ontario and Laurentide Ale in Quebec, continue their strong growth trends in the marketplace.

Molson growth was slightly less than the total industry, reflecting the introduction of new brands and packages, and increased advertising and promotional activity by competitors.

Your company introduced "Frontier Malt Liquor", a new product, in British Columbia in February and initial consumer response has been encouraging. In April, 1971, IPA Malt Liquor was introduced to the New-

foundland market replacing India Pale Ale, a long established but minor brand.

"Hockey Night in Canada" again served as the company's main advertising vehicle and audience research studies continue to show it to be Canada's most popular regular television program. In addition, sales promotion efforts were intensified in such growing sports as skiing and golf.

Steps were taken during the year to relate the company more directly to the growing young adult market. Summer students were hired in greater numbers, young adult 'task forces' were established, and a conference of young employees from across Canada was held to discuss attitudes towards business and consider ways of improving employee relations.

The new bottling line at our Toronto brewery, with the highest filling speed of any in Canada, was brought into service at the end of the fiscal year. This, together with the new storage building, completed the current expansion phase which has raised the capacity at our Toronto brewery to one and one-half million barrels per annum. A similar bottling line is now being installed in a new packaging centre at the Vancouver brewery. In Montreal substantial additions are being made to enlarge and improve the shipping and truck service facilities.

Your company maintains a continuing program of technical research to ensure that Molson products are of the highest possible quality and uniformity. The effectiveness of this research program is augmented by an exchange of research information through a technical consortium of leading brewers in other countries.

Environmental concerns require the positive involvement of the public, government and business. The brewing industry's attitude and actions in these areas are fundamental to the long-term success of the industry and of this company. Through by-products recovery, the use of a standard returnable bottle and the recycling of cartons, your company has maintained a good record with respect to the reduction of solid waste. In addition, our concern for problems of air pollution has led us into a program of conversion from fuel oil to natural gas and to efforts to eliminate the vapour plume from our spent grain drying facilities. We will continue to give ecological and environmental problems a major priority in future planning.

Legislative and regulatory changes in several provinces governing hours of sale, new outlets, television advertising content, and a lowering of age restrictions reflected the changing attitudes of Canadians to alcoholic beverage consumption. Your company views such changes as forward looking, and encourages liberalized laws within the context of socially responsible drinking patterns.

In the year ahead, we anticipate that growth in brewing industry sales in Canada will continue at a slightly slower pace than the past year. We enter the coming year with all the elements of a successful brewing operation. We have a commitment to quality products, efficient, well-maintained plants and dedicated and highly capable personnel.

CONSTRUCTION PRODUCTS AND SERVICES

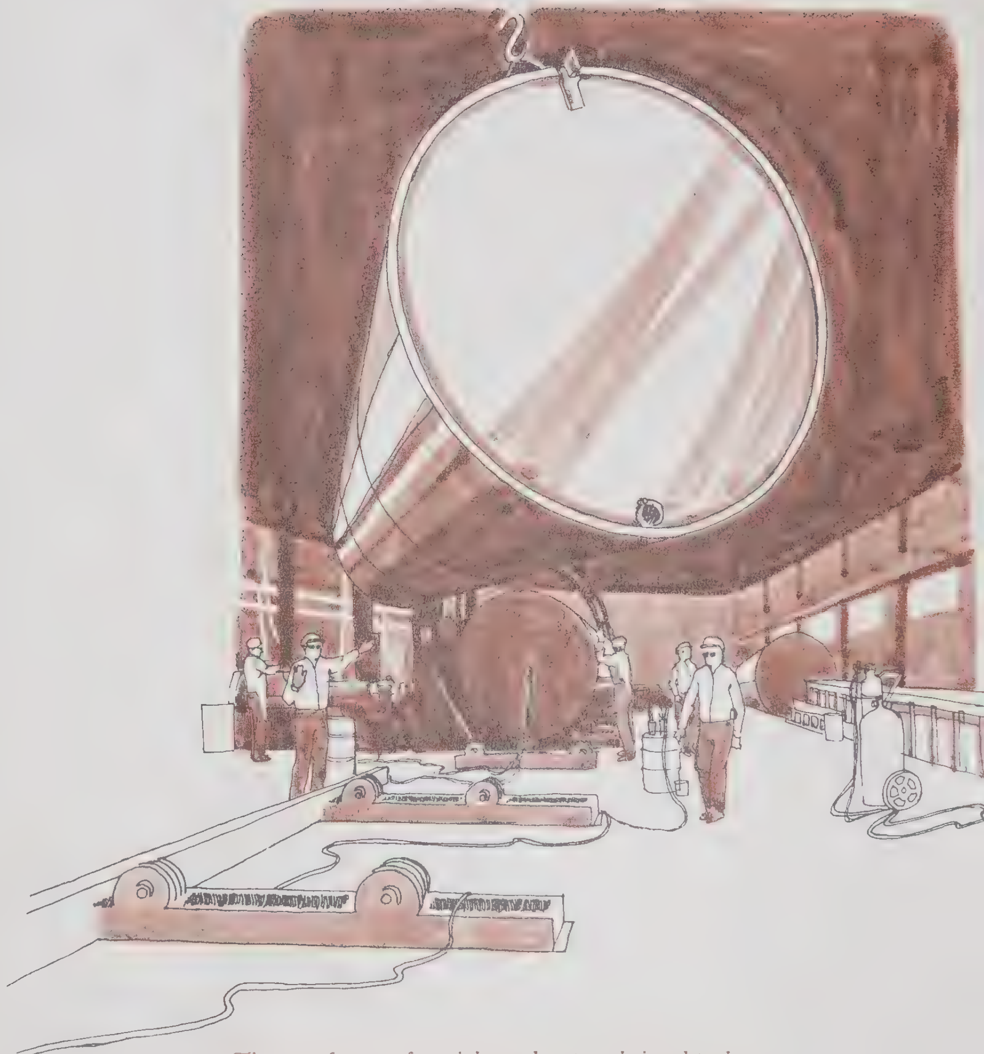
Throughout the past fiscal year, the Canadian construction industry experienced a low level of activity. Contract awards for apartment, commercial, institutional and industrial building were nearly 8% below the previous calendar year. The level of activity was lowest in western Canada, particularly in

commercial and industrial building. The decline in residential construction was most severe in Saskatchewan, where virtually no apartment building construction took place, while in British Columbia major strikes seriously hampered all forms of construction.

In spite of these unfavourable market conditions, the Anthes Equipment division increased its revenues and operating profits over the previous year. This resulted from sales improvements in high-rise hoist towers, swing stages and tarpaulins. Zipspan, a new type of modular shore equipment, was introduced and well received by the construction market. These lightweight steel beams are used in poured-in-place concrete structures to support the concrete until it hardens. They replace wooden joists and provide considerable savings through greater ease of erection and dismantling and elimination of such functions as the cutting and installing of lumber joists.

The use of V-Lok modular component steel structural systems produced by the Anthes Steel Products division is growing. It is a system of steel framing and support which gets its name from its unique interlocking method. The first commercial building—a computer centre—constructed of this system was built in Ontario last year, as were two schools—the original purpose for which the system was designed. This year, two schools in Boston, Massachusetts will be constructed using the Anthes V-Lok modular system.

Sales of cast iron soil pipe suffered more than our other products from the drop in construction activity and by competition from alternative materials. Late in the fiscal year, arrangements were made to sell the St. Catharines foundry of the Anthes Eastern division, allowing the company to consolidate the production of cast iron pipe in four



The manufacture of specialty and custom-designed tankage of all sizes is one of the activities of the Anthes Western steel plant in Winnipeg. Its tanks range from small propane tanks used on farm homes to huge underground storage vessels for the petroleum industry.

Many processes can be automated. But the comfort, quality and durability of the La-Z-Boy®, North America's best-known and best-selling reclining armchair, is still built in by hand in the company's Deluxe Upholstering plant at Waterloo, Ont.

foundries instead of five. In the west, waterworks pipe products experienced a substantial decline, contributed to by the lengthy strike in the construction industry in Vancouver. However, the company's new line of cement-lined water pipe produced from the expanded Calgary foundry, was well received with indications of a stronger market ahead as the pace of construction improves.

Already the largest supplier of domestic water heaters to the plumbing and heating trade and to utilities in Canada, the company's Anthes Eastern division plans to expand its tank glass-lining facility in Toronto. It will also introduce three new models which are expected to further enhance the company's market position.

As the result of actions taken to consolidate or improve its manufacturing facilities, the company believes that all of its construction products and service divisions are in a position to participate profitably in an upturn in the construction industry.

PETROLEUM MARKETING PRODUCTS

The concern of the public and the oil industry about air pollution, was a major factor in the record sales and profits of the Bennett Pump division last year.

The accelerating programs of major U.S. and Canadian oil companies to expand retailing of low lead and no lead gasolines, generated new requirements for additional gasoline retailing pumps at the service station islands.

In addition to the increased North American demand, the rate of exports to overseas markets from the Muskegon, Michigan plant also increased. Stimulated by a strong demand from the Far East, exports from Muskegon rose 50% over last year.

The Bennett Italiana division extended its manufacturing operations during the year by taking over facilities and assembly activities previously contracted out. During the coming year, both the manufacturing operations and the administrative offices will be consolidated in new plant facilities presently under construction in the outskirts of Milan.

While these moves will result in initial expenses, they will, in the longer term, improve the company's competitive position through better productivity, quality control and customer service.

In North America and Europe the Bennett Pump division and its affiliates continued to develop and introduce new products designed to meet current and future demand. Its new post-pay and preset self-service systems are continuing to gain in market acceptance. A new leak detector, designed to reduce the chances of pollution and fire hazard from faulty underground gasoline tank installations, is now being tested by several oil companies. Bennett believes that this detector is more accurate and more positive than any now in the market. In addition to its own new product development activities, Bennett is also working with major oil companies on new approaches to gasoline merchandising and pump designs.

Through these programs, the Bennett Pump division fully expects to maintain or improve its major position in petroleum retailing equipment.

FURNITURE AND SUPPLIES

For the second year in succession, sales of office equipment and of business forms exceeded the levels of the previous year. These sales advances were achieved in the face of a decline in office furniture and supplies markets, and a slowdown in demand for business forms. The share of market for the lines of steel desks, filing cabinets and chairs manufactured by the Office Specialty division increased. However, excess manufacturing capacity in the industry, coupled with the general slowdown of the overall economy, created heavy pressure on prices and this resulted in a lower level of profit than the year before.

Management is taking every feasible action to obtain better productivity. A 57,000-square-foot addition to the Holland Landing, Ontario plant was completed in December. The addition allows consolidation of all metal manufacturing, warehousing and shipping operations in one location. This, allied with a rearrangement of production facilities, is expected to bring about a marked reduction in operating costs.

Office Planning Service, the interior design and office planning consulting service provided by the Office Specialty division, increased its clientele in its second year of operations in Montreal and Toronto.

During the year a new line of highly flexible steel desks was developed for use with Office Specialty's new modular filing equipment. Another major accomplishment was the development of an integrated system of

The Penberthy division of Anthes Eastern at St. Catharines, Ontario, engineers specialty products for the treatment of polluted water. Penberthy products are part of water cleansing systems used by municipalities and industry throughout Canada.

modular desks and table units which will be introduced to the market later this year.

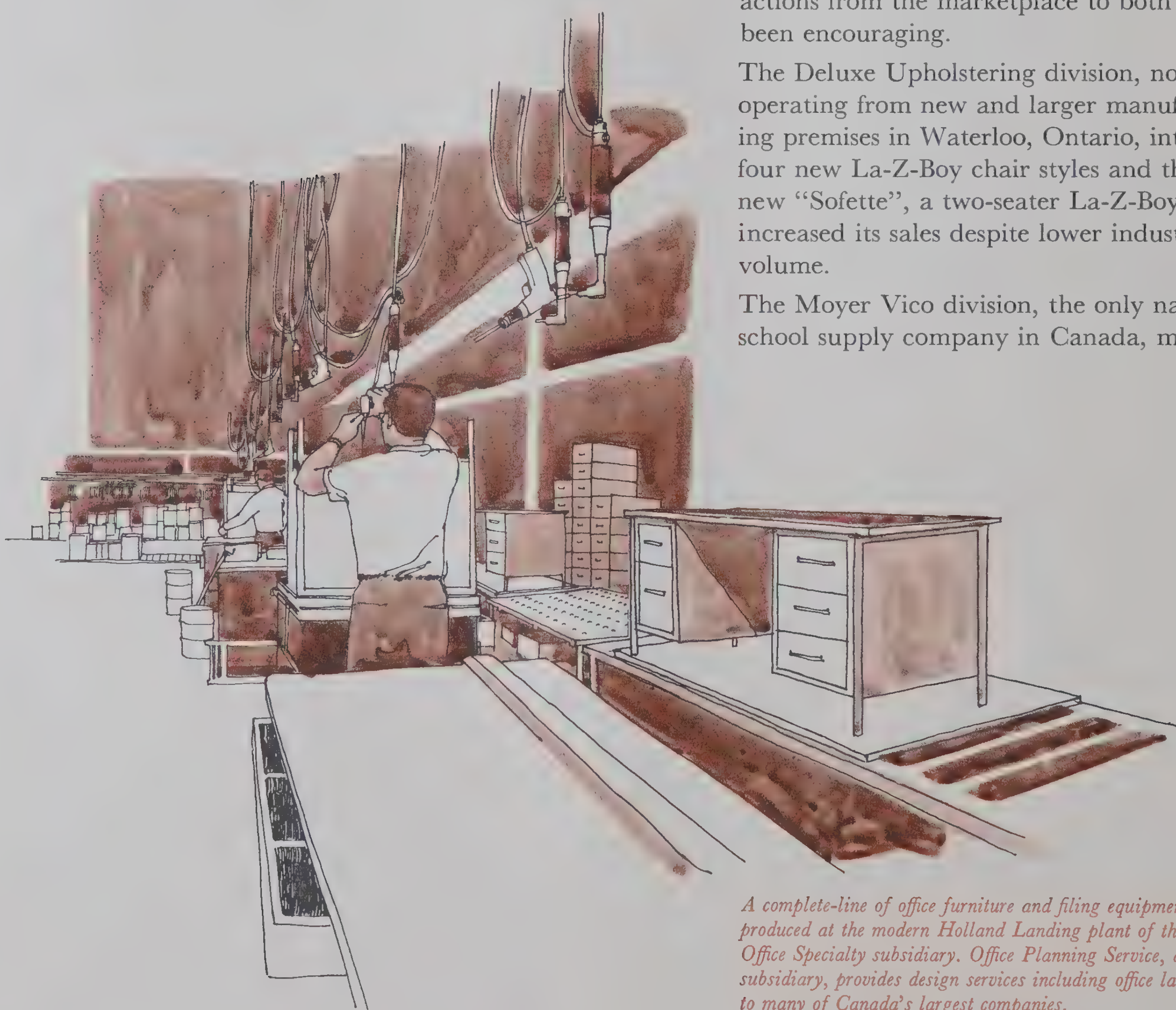
In rotary forms and filing supplies, the Anthes Business Forms division's sales growth was higher than the industry. The introduction of a new file folder machine and a more aggressive marketing program boosted sales of filing supplies well over the previous year.

The market for home furniture was generally lower due to lower consumer spending on household goods, but sales of the Vilas Furniture division, the leading Canadian manufacturer of colonial furniture, however, were maintained at about the level of the previous year.

During the year Vilas introduced a new line of traditionally styled upholstered furniture and developed a new wood colour, "vintage maple" for colonial furniture. Initial reactions from the marketplace to both have been encouraging.

The Deluxe Upholstering division, now operating from new and larger manufacturing premises in Waterloo, Ontario, introduced four new La-Z-Boy chair styles and the new "Sofette", a two-seater La-Z-Boy, and increased its sales despite lower industry volume.

The Moyer Vico division, the only national school supply company in Canada, main-



A complete-line of office furniture and filing equipment is produced at the modern Holland Landing plant of the company's Office Specialty subsidiary. Office Planning Service, another subsidiary, provides design services including office landscaping to many of Canada's largest companies.

tained its pattern of a steady annual increase in sales. Moyer's proprietary "Alpha" chair line sold well in its second year and total sales benefited by the introduction of a number of new products and teaching aids. It is anticipated that the upward sales trend will continue.

INDUSTRIAL PRODUCTS AND SERVICES

Despite the general slowdown of the economy, the warehousing and distribution services of the Seaway Storage division, matched the previous year's record revenues.

The combined facilities of Midwest and Seaway make available to their customers, distribution services with 1.7 million-square-feet of storage space, in some of the most modern warehousing facilities in Canada.

During the past year, Midwest completed a new 50,000-square-foot building in Vancouver, another of similar size in Calgary and a smaller building in Moncton. The Moncton building was the first phase of a planned 100,000-square-foot facility in that city.

Plans for the coming year include the leasing of a large warehouse in Winnipeg to be built to our specifications and the consolidation in the new premises of operations from four smaller warehouses in that city. Further expansion of our warehousing and distribution activities is foreseen both in terms of geographic extension and by entry into new fields of distribution services.

Your company believes that the ever-present concern of business management to reduce distribution costs, and normal reluctance to commit capital funds for investment in non-production facilities, will continue to create a very favourable climate for the expansion of well-organized public distribution organizations.

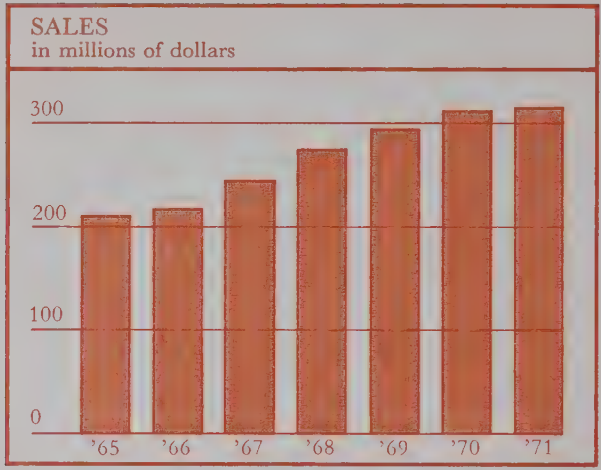
Penberthy engineered products again showed a substantial performance improvement over the previous year with higher sales and profit. In the past year, Penberthy moved into the field of water pollution controls. It has test and pilot products in two ejector-type aeration installations in western Canada; one in the pulp and paper industry and the other in the gas producing industry. It has also introduced an oxy-ditch system for domestic waste for use with populations of from 100 to 1,000. This system has created substantial interest because of its capability of being expanded to an almost unlimited capacity.

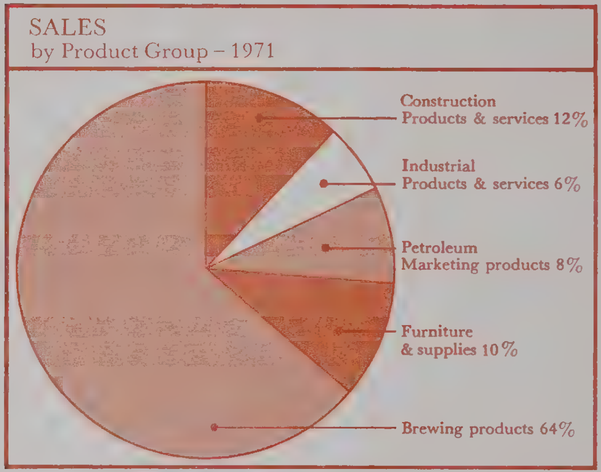
Division officers

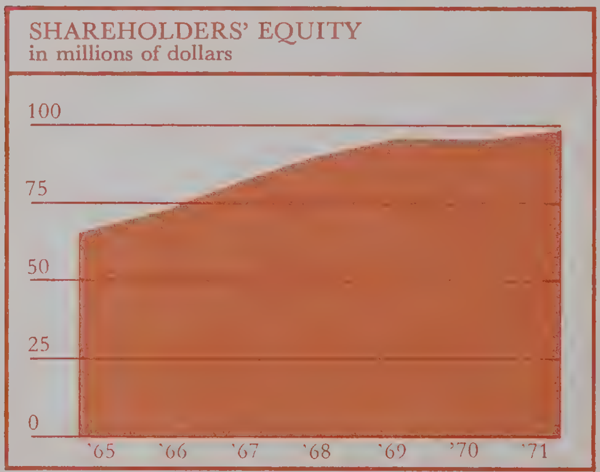
Brewing Group
Western Division
A. L. Keyworth, *Vice President and General Manager*
Ontario Division
J. P. G. Kemp, *President*
Quebec Division
J. P. Rogers, *Vice President and General Manager*
Newfoundland Division
G. M. Winter, *President*

Canadian Industrial Group
Anthes Eastern Division
W. A. Farnell, *Vice President and General Manager*
Anthes Western Division
C. R. McBain, *General Manager*
Furniture and Supplies Divisions
G. C. Berry, *Vice President*
Anthes Business Forms Division
D. W. Gray, *General Manager*
Deluxe Upholstery Division
H. B. Soanes, *President and General Manager*
Moyer School Supplies Division
E. F. Flegg, *Vice President and General Manager*
Office Specialty Division
R. O. Carruthers, *Vice President and General Manager*
Vilas Furniture Division
G. L. Townsend, *Vice President and General Manager*
Construction Services Divisions
W. J. Gluck, *Vice President and General Manager*
Anthes Equipment Division
Anthes Steel Products Division

U.S. and International Industrial Group
Bennett Pump Division
P. W. Keessen, *President*
Bennett-Italiana Division
Dr. U. Beretta, *Managing Director*
Seaway Storage Division
R. Goldsmith, *Vice President and General Manager*
Midwest Storage Division
E. A. Backhouse, *Vice President and General Manager*







Consolidated statement of earnings

YEAR ENDED MARCH 31	1971 $	1970 $
Sales	**314,691,924**	312,750,043
Manufacturing, selling and administrative costs and brewing taxes	**286,703,509**	285,631,061
Profit from operations	**27,988,415**	27,118,982
Investment income	**1,006,129**	1,210,430
Earnings before income taxes, minority interest and extraordinary items	**28,994,544**	28,329,412
Income taxes	**15,000,000**	14,700,000
	13,994,544	13,629,412
Minority interest	**332,149**	313,179
Net earnings before extraordinary items	**13,662,395**	13,316,233
Extraordinary items (note 2)	**(1,035,279)**	(1,143,686)
Net earnings after extraordinary items	**12,627,116**	12,172,547
Per "A," "B" and "C" share—		
Net earnings before extraordinary items	**1.20**	1.17
Extraordinary items	**(.09)**	(.10)
Net earnings after extraordinary items	**1.11**	1.07

Consolidated statement of retained earnings

YEAR ENDED MARCH 31	1971 $	1970 $
Balance, beginning of year	**77,306,274**	77,995,496
Net earnings	**12,627,116**	12,172,547
	89,933,390	90,168,043
Deduct:		
Dividends on common shares	**8,182,994**	8,195,290
Excess of purchase price of subsidiaries acquired over underlying net book value	**1,463,323**	4,666,479
	9,646,317	12,861,769
Balance, end of year	**80,287,073**	77,306,274

Consolidated balance sheet

MARCH 31	1971 $	1970 $
Assets		
CURRENT ASSETS		
Cash and short term investments	**5,274,045**	927,150
Marketable securities, at cost (market value—$550,000)	**641,608**	674,024
Accounts receivable	**30,905,167**	31,704,666
Inventories, valued at cost which does not exceed net realizable value—		
Raw materials and supplies	**12,022,889**	14,131,096
Work in process and finished goods	**27,355,257**	29,140,915
Prepaid expenses	**1,728,421**	1,613,022
	77,927,387	78,190,873
INVESTMENTS		
Shares in other companies, at cost (market value—$7,109,200)	**7,052,302**	7,015,233
Advances to other companies	**3,109,880**	2,985,949
Mortgages and collateral deposits	**3,109,193**	1,135,101
	13,271,375	11,136,283
FIXED ASSETS (note 3)		
Cost	**167,498,300**	163,177,164
Less accumulated depreciation	**89,225,894**	88,308,329
	78,272,406	74,868,835
	169,471,168	164,195,991

SIGNED ON BEHALF OF THE BOARD:

H. deM. Molson, Director

D. G. Willmot, Director

MARCH 31	1971 $	1970 $
Liabilities		
CURRENT LIABILITIES		
Bank indebtedness (secured)	**10,365,784**	15,547,072
Accounts payable and accrued charges	**18,320,207**	20,879,165
Income taxes	**2,309,923**	3,712,132
Excise, sales and other taxes	**5,253,962**	4,915,932
Dividends payable	**2,013,340**	—
Current instalments on long-term debt	**680,250**	783,499
	38,943,466	45,837,800
DEFERRED INCOME TAXES	**8,025,000**	5,872,464
LONG-TERM DEBT (note 4)	**17,796,739**	10,653,576
MINORITY INTEREST	**6,064,082**	6,308,593
Shareholders' Equity		
CAPITAL STOCK (note 5)	**18,354,808**	18,217,284
RETAINED EARNINGS	**80,287,073**	77,306,274
	98,641,881	95,523,558
	169,471,168	164,195,991

Consolidated statement of source and use of working capital

YEAR ENDED MARCH 31	**1971 $**	1970 $
SOURCE		
Net earnings	**12,627,116**	12,172,547
Depreciation	**7,139,120**	6,804,319
Deferred income taxes	**2,152,536**	244,559
Funds derived from operations	**21,918,772**	19,221,425
Net increase in long-term debt	**7,143,163**	—
Issue of common shares	**137,524**	187,958
	29,199,459	19,409,383
USE		
Dividends	**8,182,994**	8,195,290
Net additions to fixed assets	**10,542,691**	11,796,233
Net increase in investments	**2,135,092**	3,474,636
Acquisition of interest in subsidiaries	**1,502,803**	8,409,135
Decrease in minority interest	**205,031**	342,534
Net decrease in long-term debt	—	474,916
	22,568,611	32,692,744
Increase (decrease)	**6,630,848**	(13,283,361)
Working capital, beginning of year	**32,353,073**	45,636,434
Working capital, end of year	**38,983,921**	32,353,073

Auditors' report to the shareholders

We have examined the consolidated balance sheet of Molson Industries Limited and subsidiaries as at March 31, 1971 and the consolidated statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1971 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

Montreal, May 7, 1971.

Notes to consolidated financial statements

YEAR ENDED MARCH 31, 1971

1. Principles of Consolidation

The consolidated financial statements include the accounts of Molson Industries Limited and all subsidiary companies.

The accounts of the company and its subsidiaries have been consolidated following purchase accounting principles with the exception that all of the common shares of Anthes Imperial Limited acquired by the company pursuant to the terms of the offer made on June 28, 1968 have been consolidated following pooling of interests accounting principles.

Earnings of foreign subsidiaries have been translated at average rates of exchange prevailing in the year. Property accounts (including depreciation and amortization) of foreign subsidiaries have been translated at rates of exchange prevailing at dates of acquisition, and all other assets and liabilities at rates of exchange prevailing at March 31, 1971.

The exchange difference resulting from the freeing of the Canadian dollar on May 31, 1970, has been charged against earnings of the current year as an extraordinary item.

2. Extraordinary items

	1971 $	1970 $
Gain (loss) on disposal of businesses net of applicable income taxes of $1,044,700 in 1971 and $1,069,254 in 1970	**13,721**	(1,143,686)
Foreign exchange adjustment (note 1)	**(1,049,000)**	—
	(1,035,279)	(1,143,686)

3. Fixed assets

	1971 $	1970 $
Cost:		
Land	**6,688,925**	6,441,722
Buildings	**64,910,508**	62,983,263
Machinery and equipment	**94,871,669**	91,219,574
Construction in progress	**1,027,198**	2,532,605
	167,498,300	163,177,164
Accumulated depreciation	**89,225,894**	88,308,329
	78,272,406	74,868,835

4. Long-term debt

	Total Amount $	Current Maturities $
First mortgage bonds, due 1971 to 1986; 5.84% to 11½%	**1,529,239**	323,300
Debentures—unsecured, due 1971 to 1982; 6%	**3,790,000**	190,000
Term bank loan—unsecured, due 1972 to 1976; 1¼% over the prevailing prime lending rate	**10,000,000**	—
Term bank loan—secured, due 1972; 6¼%	**2,323,000**	—
Notes payable—due 1972 to 1976; non-interest bearing	**834,750**	166,950
	18,476,989	
Less current maturities	**680,250**	—
	17,796,739	680,250

Required payments during the next five fiscal years are as follows: 1972—$680,250; 1973—$2,996,700; 1974—$2,926,200; 1975—$2,930,100; 1976—$2,935,500.

5. Capital Stock

Authorized:

10,000,000	Class "A" common shares without nominal or par value,
7,000,000	Class "B" common shares without nominal or par value,
1,360,000	Class "C" convertible common shares without nominal or par value,
500,000,000	4% non-cumulative preferred shares of the par value of 1 cent each, redeemable at par either out of capital or under Section 61 of the Canada Corporations Act.

The holders of the Class "A" common shares are entitled, voting separately and as a class, to elect annually three members of the board of directors of the company.

The Class "B" and the Class "C" common shares are each fully voting and rank equally as to dividends in any fiscal year with the Class "A" common shares, provided 20 cents per share has been paid or declared in such fiscal year on the Class "A" common shares.

Dividends in respect of the Class "C" common shares may be paid in the form of stock dividends of the preferred shares redeemable out of tax-paid undistributed income. Each Class "C" common share may, at the option of the holder, be converted into 1 Class "A" common share after July 1, 1971. Each Class "C" common share shall be converted into 1 Class "B" common share on or before June 30, 1976 or when an aggregate of $4,292,500 of stock dividends has been paid in respect of Class "C" common shares, whichever shall first occur.

Issued and outstanding:		$
6,146,517	Class "A" common shares	9,999,430
3,968,604	Class "B" common shares	6,636,238
1,258,942	Class "C" convertible common shares	1,719,140
11,374,063		18,354,808

During the year 11,575 Class "A" and 300 Class "B" common shares were issued for cash of $133,174 and $4,350 respectively under the terms of the employee stock option plans.

During the year 75,536,520 preferred shares were issued as stock dividends on the Class "C" convertible common stock and were redeemed at par for $755,365.

Stock options:

At March 31, 1971 options to employees were outstanding to purchase 30,005 Class "A" common shares at prices ranging from $11.00 to $19.62 per share and 30,005 Class "B" common shares at prices ranging from $11.50 to $20.00 per share. All options expire prior to October 1, 1973.

6. Pending legal proceedings

The company, among others, is a defendant in a lawsuit pending in a United States District Court. The lawsuit stems from the company's offer made in June 1968 to acquire the common stock of Anthes Imperial Limited, and claims damages in the aggregate amount of approximately (U.S.) $2.5 million. In the opinion of the company's United States legal counsel, upon the basis of the facts and law now known to them, this lawsuit is without merit.

7. Statutory information

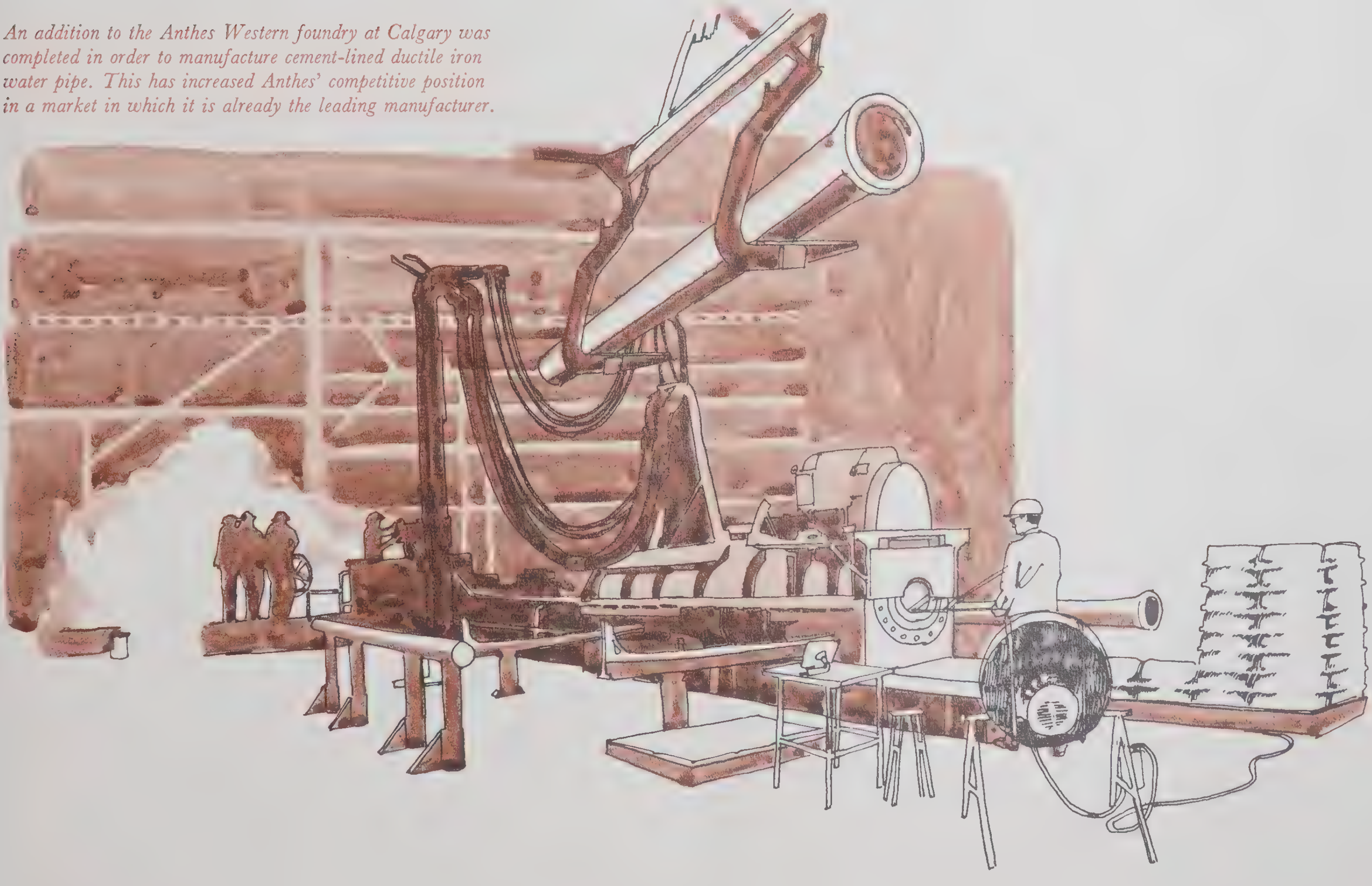
The following items have been charged before determining net earnings for the year:

	$
Provision for depreciation	7,139,120
Interest on long-term debt including amortization of debenture discount	1,022,658
Remuneration of 18 directors, as directors	39,000
Remuneration of 18 officers, as officers (7 officers are also directors)	803,272

In accordance with Section 61 of the Canada Corporations Act $3,346,952 of the retained earnings has been designated as capital surplus resulting from redemption of preferred shares.

Past service costs of employee pension plans are being funded over periods not exceeding 30 years. The unfunded liability for such past service costs amounted to approximately $3,650,000 at March 31, 1971.

An addition to the Anthes Western foundry at Calgary was completed in order to manufacture cement-lined ductile iron water pipe. This has increased Anthes' competitive position in a market in which it is already the leading manufacturer.



Operating and financial record

	1971 $	1970 $	1969 $
Sales	**314,691,924**	312,750,043	295,575,484
Profit from operations	**27,988,415**	27,118,982	27,722,837
Investment income	**1,006,129**	1,210,430	2,948,907
Income taxes	**15,000,000**	14,700,000	15,000,000
Net earnings after extraordinary items	**12,627,116**	12,172,547	15,072,606
Cash flow	**21,918,665**	19,162,347	22,257,299
Dividends	**8,182,994**	8,195,290	7,873,694
Net earnings per "A", "B" and "C" share	**1.11**	1.07	1.33
Cash flow per "A", "B" and "C" share	**1.93**	1.69	1.96
Dividends per "A", "B" and "C" share	**.72**	.72	.72
Shareholders' equity per "A", "B" and "C" share	**8.67**	8.41	8.46
Depreciation and amortization	**7,139,120**	6,804,319	6,682,351
Net additions to fixed assets	**10,542,691**	11,796,233	10,524,540
Working capital	**38,983,921**	32,353,073	45,636,434
Total assets	**169,471,168**	164,195,991	150,690,599
Debt	**17,796,739**	10,653,576	11,128,492
Minority interest	**6,064,082**	6,308,593	10,393,182
Shareholders' equity	**98,641,881**	95,523,558	96,025,423
Number of "A", "B" and "C" shares outstanding	**11,374,063**	11,362,188	11,346,368
Number of shareholders	**13,700**	13,166	13,252
Number of employees	**6,674**	7,360	7,500

Notes:

Dividends per "A", "B" and "C" share record the dividend rate of Molson Industries Limited. All other data has been restated to reflect the consolidation of Anthes Imperial Limited on a pooling of interests basis.

The number of "A", "B" and "C" common shares outstanding has been restated to reflect the subdivision of shares in 1966 and the issue of shares in exchange for those of Anthes Imperial Limited.

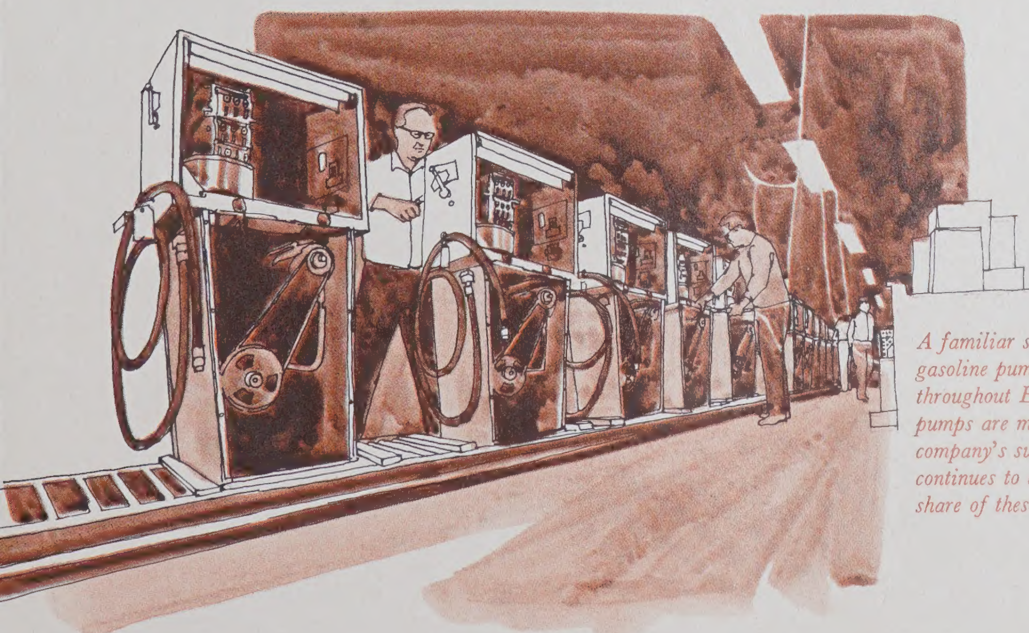
The fiscal year end of Anthes Imperial Limited was changed from December 31 to March 31 to correspond with the fiscal year end of Molson Industries Limited, commencing January 1, 1969. Commencing with the 1969 fiscal year, the record consolidates data of each company for the 12 months ended March 31.

For the fiscal periods ending March 31, 1964 through 1968, the record incorporates data of Anthes for its fiscal years ended the three months earlier.

In the 1962 fiscal year, Molson's fiscal year end was September 30 and the consolidated record for that year combines data of Anthes for its year ended the following December 31.

The fiscal period of Molson ended March 31, 1963, was one of six months as the result of its change of fiscal year end from September 30 to March 31. No combined data is presented for this period.

1968 $	1967 $	1966 $	1965 $	1964 $	1962 $
275,354,234	244,709,298	216,811,765	210,232,715	154,946,757	140,443,404
34,004,084	30,826,270	27,573,388	25,412,126	20,541,250	18,398,742
1,685,006	1,350,790	1,444,245	1,254,905	799,653	863,325
17,200,000	15,777,000	14,123,500	12,672,000	9,983,000	9,609,000
15,985,752	14,455,164	12,133,021	10,931,239	9,252,380	8,658,567
22,948,906	20,519,466	18,753,274	17,937,717	14,806,148	13,248,073
6,978,816	6,139,466	5,233,863	4,929,974	4,262,353	4,202,159
1.41	1.28	1.11	1.01	.91	.81
2.03	1.82	1.71	1.65	1.46	1.32
.72	.64	.55	.55	.50	.50
8.02	7.30	6.59	5.90	5.49	5.00
6,007,168	5,578,996	6,056,470	6,483,191	5,234,505	4,194,019
10,747,881	7,584,537	5,590,704	5,002,480	4,073,950	8,213,801
44,097,591	39,946,521	34,101,759	24,992,856	22,138,483	18,981,171
151,024,404	132,954,357	119,615,922	115,220,095	91,996,063	84,043,859
11,356,590	10,186,899	10,671,299	20,582,574	15,720,000	6,010,000
10,648,797	8,664,985	8,606,491	8,395,137	3,930,170	4,173,674
90,889,652	82,182,695	72,110,719	64,153,137	55,567,871	50,260,423
11,328,912	11,263,283	10,935,173	10,867,785	10,115,672	10,058,392



A familiar sight to every motorist is the gasoline pump. In North America, and throughout Europe, more and more of these pumps are made by Bennett Pump, as the company's subsidiary at Muskegon, Mich. continues to expand its already substantial share of these markets.

Subsidiary companies and major plants and facilities

Moyer Vico Limited is the major distributor of school furniture and school supplies in Canada. Because of their knowledge of teaching aids, from the most basic to the ultra-sophisticated, the company's personnel are in demand across the country to demonstrate new teaching aids to teachers (as above) or to conduct seminars at teachers' conferences and for school boards.

Anthes Imperial Ltd., Toronto, Ont.

Anthes Business Forms Ltd., Toronto, Ont.
Manufacturing facilities at Mimico and Brampton, Ont.

Anthes Eastern Ltd., Toronto, Ont.
Manufacturing plants at Toronto and St. Catharines, Ont. and foundry at St. Jean, Que.

Anthes Equipment Ltd., Mississauga, Ont.
Rental, sales and distribution centres at Halifax, Quebec City, Montreal, Ottawa, Toronto, Hamilton, Winnipeg, Calgary, Edmonton and Vancouver.

Anthes Steel Products Ltd., Toronto, Ont.

Anthes Western Ltd., Winnipeg, Man.
Manufacturing plants and foundries at Winnipeg, Calgary and Edmonton.

***Bennett & Sauser A. G.,** Solothurn, Switzerland.
Manufacturing plant at Solothurn.

Bennett Italiana S.p.A., Milan, Italy.
Manufacturing plant at Vanzeghello.

Bennett Pump Inc., Muskegon, Mich.
Manufacturing plants at Muskegon and Hart, Mich.

Deluxe Upholstering Ltd., Waterloo, Ont.
Manufacturing plant at Waterloo, Ont.

***Industrias Guillermo Murguia S.A.,** Edo. de Mexico, Mexico. Manufacturing plant at Edo. de Mexico.

Midwest Storage & Distributing Company Ltd., Winnipeg, Man. Warehouse and distribution facilities at Vancouver, Calgary, Winnipeg, Toronto, Moncton.

Molson Breweries of Canada Ltd., Montreal, Que.

Molson Brewery Alberta Ltd., Edmonton, Alta.
Brewery at Edmonton.

Molson Brewery Manitoba Ltd., Winnipeg, Man.
Brewery at Winnipeg.

Molson's Brewery (Ontario) Ltd., Toronto, Ont.
Brewery at Toronto.

Molson's Brewery Quebec Ltd., Montreal, Que.
Brewery at Montreal.

Molson Brewery Saskatchewan Ltd., Regina, Sask.
Brewery at Regina.

Molson Brewery B.C. Ltd., Vancouver, B.C.
Brewery at Vancouver.

Molson's Kamloops Hop Farm Ltd., Kamloops, B.C.

Molson's Western Breweries Ltd., Calgary, Alta.

Moyer Vico Ltd., Weston, Ont.
Manufacturing facilities at Elmira, Ont., Farnham and Waterloo, Que.
Branches at Edmonton, Moncton, Montreal, Saskatoon, Toronto, Vancouver, Winnipeg.

Newfoundland Brewery Ltd., St. John's, Nfld.
Brewery at St. John's.

Office Planning Service Ltd., Toronto, Ont.

Office Specialty Ltd., Newmarket, Ont.
Manufacturing plants at Holland Landing and Newmarket Ont. Branches at Calgary, Edmonton, Halifax, Hamilton, London, Montreal, Ottawa, Quebec, Regina, Saint John, Toronto, Vancouver, Winnipeg.

***The Rainier Companies, Inc.,** Seattle, Wash.
Brewery at Seattle and vineyards in the Napa Valley, California.

Seaway Storage Inc., Lachine, Que.
Warehouse and distribution facilities at Montreal and Toronto.

Sicks' Bohemian Brewery Ltd., Prince Albert, Sask.
Brewery at Prince Albert.

Sicks' Lethbridge Brewery Ltd., Lethbridge, Alta.
Brewery at Lethbridge.

Vilas Industries Ltd., Cowansville, Que.
Manufacturing facilities at Cowansville and Farnham, Que. Lumber mill at Dover-Foxcroft, Me.

John Wood Company, East Orange, N.J.

John Wood Universal S.A., Zug, Switzerland.

**affiliate in which the company has a substantial interest.*

This annual report was illustrated throughout by Joseph Weissmann, a 23-year old Montreal-educated artist, now living and working in Toronto.

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